

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

EX. 1

INTERSTATE POWER COMPANY
APPLICATION FOR APPROVAL
OF MERGER AND REORGANIZATION

DOCKET NO. 00-261

DIRECT TESTIMONY OF
DANIEL A. DOYLE

OFFICIAL FILE

I.C.C. DOCKET NO. 00-261

Applicants Exhibit No. 1

Witness

Date 9/7/02 Reporter Jm

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Daniel A. Doyle. My business address is 222 West Washington Avenue,
4 Madison, Wisconsin 53703.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by Alliant Energy Corporation ("Alliant Energy") as Vice President - Chief
7 Accounting and Financial Planning Officer. I also serve in the same capacity for IES
8 Utilities Inc. ("IES"), Interstate Power Company ("IPC") and Wisconsin Power and Light
9 Company ("WPL").

10 Q. How long have you held these positions, and in what other capacities have you been
11 employed?

12 A. I have held my present position at Alliant Energy since January 1, 2000. At the time of the
13 Alliant Energy merger I assumed the position of Vice President - Manufacturing until my
14 appointment to my present position. Previously, I was employed by Wisconsin Power and

15 Light Company ("WPL") as Vice President of Finance, Controller and Treasurer and I also
16 served in the capacity of Principal Accounting Officer at WPL Holdings, Inc. ("Holdings"),
17 WPL's parent holding company. I was Controller and Treasurer from October 3, 1993
18 through December 24, 1994, and held the position of Controller from July 20, 1992, the date
19 I was first employed by WPL, through October 2, 1993.

20 **Q. What are your primary responsibilities in your present position?**

21 A. I am responsible for maintaining Alliant Energy's books and records of account in
22 accordance with Generally Accepted Accounting Principles ("GAAP") and the accounting
23 rules prescribed by the Federal Energy Regulatory Commission ("FERC"). In this
24 connection, the General and Utility Accounting, Asset Planning, Financial Systems, Taxes,
25 Budgets, Forecasts, Rate Cases, Cost Accounting and Corporate Reporting functions report
26 directly to me. In my capacity as Principal Accounting Officer at Aliant Energy, I oversee
27 accounting policy and internal control matters and am responsible for the consolidation of
28 corporate financial information and reporting.

29 **Q. What are your educational and business qualifications?**

30 A. I was graduated from Michigan State University in 1981 with a Bachelor of Arts Degree in
31 Accounting and, in May 1991, I was graduated from Rensselaer Polytechnic Institute with a
32 Master of Business Administration degree. Immediately after graduation from Michigan
33 State University, I was employed by Arthur Andersen & Co. in the Utilities and
34 Telecommunications Division of its Chicago Office. I left Arthur Andersen & Co. in 1988
35 to assume the controllership at Central Vermont Public Service Corporation, the position I
36 held until joining WPL in July 1992. I am a Certified Public Accountant and a member of

the American Institute of Certified Public Accountants. I also participate in the Edison Electric Institute's Accounting and Finance-related committee programs.

Q. Have you previously testified before the Illinois Commerce Commission ("Commission")?

A. Yes, I provided testimony in the Alliant Energy merger docket; ICC Docket No. 96-0122.

II. OVERVIEW OF THE COMPANIES AND THEIR BUSINESS OPERATIONS

Q. Please briefly describe the formation of Alliant Energy?

A. On November 10, 1995, WPL Holdings, Inc. ("Holdings"), a holding company incorporated under the laws of the State of Wisconsin; IES Industries Inc., ("Industries") a holding company incorporated under the laws of the State of Iowa; and IPC, entered into an Agreement and Plan of Merger. After the effective date of the merger (April 21, 1998), the name of Holdings was changed to Interstate Energy Corporation ("IEC"). IEC changed its name to Alliant Energy Corporation at its 1999 Annual Meeting.

Q. Could you please describe the corporate structure of Alliant Energy?

A. IPC, operating as an electric and gas public utility in Illinois, Iowa and Minnesota; IES, operating as an electric and gas public utility in Iowa; and WPL, operating as an electric and gas public utility in Wisconsin; are utility subsidiaries of Alliant Energy. Alliant Energy is a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended ("PUHCA"). South Beloit Water, Gas & Electric Company ("SBWGE") remains a wholly-owned subsidiary of WPL. Alliant Energy Corporate Services, Inc. ("Services") is the Alliant Energy subsidiary responsible for the provision of various administrative functions to the Alliant Energy subsidiaries. Alliant

59 Energy Resources, Inc., is the Alliant Energy subsidiary responsible for Alliant Energy's
60 nonregulated business activities.

61 **Q. Please describe IPC.**

62 A. IPC is a combination electric and gas utility whose service territory encompasses over
63 10,000 square miles in the States of Iowa, Minnesota and Illinois. IPC provides electric
64 service to about 167,000 customers in Iowa, Minnesota and Illinois (including the cities
65 of Dubuque, Clinton, Mason City, Iowa and Albert Lea, Minnesota). The Illinois
66 customer base of IPC is approximately 11,000 customers. In addition, IPC provides
67 natural gas service to approximately 53,000 customers in these same three states of which
68 5,400 are located in Illinois. IPC's 1999 system peak demand was 1,015 MW (net of
69 interruptible load). IPC has installed generating capacity of 1,066 MW.

70 **Q. Please describe SBWGE?**

71 A. South Beloit supplies electric, gas and water services principally in Winnebago County,
72 Illinois serving approximately 7,300 customers in total. South Beloit is a full
73 requirements customer of WPL with a peak demand in 1999 of 53 Megawatts.

74 **Q. Please describe WPL.**

75 A. WPL generates, transmits, distributes and sells electric energy to about 400,000
76 customers in south-central Wisconsin. It also provides gas service to approximately
77 150,000 customers and water service to approximately 19,000 customers in Wisconsin.
78 WPL's service territory spans roughly one-third of Wisconsin. WPL is a summer electric
79 peaking system. The system peak demand in 1999 was 2397 Megawatts. SWBGE's peak
80 demand is included in this information. WPL has a total of 2176 Megawatts of installed
81 generating capacity.

82 **Q. Please provide a brief description of the IES.**

83 A. IES serves 525 retail electric communities located in the State of Iowa (including the cities
84 of Ames, Atlantic, Burlington, Cedar Rapids, Centerville, Charitan, Creston, DeWitt,
85 Fairfield, Fort Madison, Garner, Grinnell, Iowa Falls, Jefferson, Keokuk, Manchester,
86 Marshalltown, Muscatine, Newton, Ottumwa, Sibley, Spirit Lake, Storm Lake and
87 Washington.) IES serves approximately 345,000 electric customers and 181,000 natural gas
88 customers at retail. IES's 1999 system peak demand was 1,990 MW. IES has installed
89 generating capacity of 1951MW.

90 **Q. Please describe the business unit organizational structure that Alliant Energy employs.**

91 A. Alliant Energy has generally organized its businesses, for reporting purposes, into four
92 business units. The energy delivery services business unit is headquartered in Cedar
93 Rapids, Iowa and is responsible for the pipes and wires portion of the Alliant Energy
94 operating utility subsidiaries. The generation business unit is located in Madison,
95 Wisconsin and is responsible for the operation of the electric power plants of the Alliant
96 Energy operating utility subsidiaries. The third business unit is Alliant Energy Corporate
97 Services, which is located in Dubuque, Iowa. The last business unit is Alliant Energy
98 Resources, Inc., which is headquartered in Cedar Rapids, Iowa.

99 **Q. Has this business unit structure changed the entities subject to the Commission's**
100 **jurisdiction?**

101 A. No. The Illinois public utility functions and operations of IPC and SBWGE have
102 continued to be owned and operated by IPC and SBWGE respectively, subject to the
103 Commission's jurisdiction.

104 **III. COMMISSION'S REVIEW OF THE ALLIANT ENERGY MERGER**

105 **Q. When did the Commission approve the Alliant Energy merger?**

106 A. The Commission approved the Alliant Energy merger on May 9, 1997, in Interstate
107 Power Company and South Beloit Water, Gas & Electric Company, Docket No. 96-0122.

108 As a part of its findings that the Alliant Energy merger was in the public interest, the
109 Commission found that:

110 "The evidence establishes the combination of Holdings, Industries and
111 IPC will enable Interstate Energy companies to serve their customers more
112 economically and efficiently in what is becoming an increasingly
113 competitive electric utility industry. Applicants have established that the
114 proposed merger will allow integration of many corporate and
115 administrative functions, and achieve savings through electric system
116 interconnection, joint dispatch, and joint purchasing, among other
117 advantages." (p. 16)

118
119 The Commission's Order also recognized that many of the corporate and administrative
120 functions would be provided by a service company affiliate; i.e. Alliant Energy Corporate
121 Services. The Commission noted that:

122 "The proposed reorganization will not result in the unjustified
123 subsidization of non-utility activities by the utility or its customers.
124 Applicants have agreed to all conditions proposed by Staff to resolve
125 Staff's concern that unjustified subsidization or "cross-subsidization" of
126 affiliates of the utilities may occur in the future. Applicants have done so
127 upon WPLH's assurance to them that they will have possession or control
128 of all contracts, books, and records of their affiliates who are parties to a
129 contract with Services, at least to the extent of providing Staff with access
130 thereto on a confidential basis." (p.17)

131
132 Also by its Order of May 9, 1997, in Docket No. 96-0122, the Commission approved
133 Service Company Agreements for Alliant Energy. Those agreements have been
134 amended. The Commission approved those amendments in Docket No. 98-0011 and 99-
135 0680.

36 **Q. Has the Alliant Energy merger resulted in reduced costs?**

A. Yes. As an example, Alliant Energy has been able to consolidate certain corporate and administrative functions of Holdings, Industries and IPC, thereby eliminating duplicative positions, reducing other non-labor corporate and administrative expenses and limiting or avoiding duplicative expenditures for administrative and information systems. Other cost savings categories include electric energy and capacity costs, non-fuel purchasing economies, gas supply costs, and operation and maintenance costs.

IV. COMMISSION'S REQUIREMENTS FOR MERGER APPROVAL

Q. Please list the requirements for approval of the reorganization set forth in 7-204A and please indicate which witness will address those requirements.

A. The specific requirements under Section 7-204A for application for approval of reorganization and who will address those requirements are:

A. Names and corporate relationships of all companies which are affiliated interests of the public utility on the date the public utility applies for reorganization and the name of any parent or subsidiary corporation of the public utility. (Section 7-204(a)(1))

Refer to Attachment A

B. A description of how the public utility plans to reorganize. (Section 7-204A(a)(2))

Refer to the Testimony of Mr. Doyle (page 13)

C. Copies of the organizational documents associated with the reorganization, including articles of incorporation or amendments to the articles of incorporation of all companies including the public utility and any affiliated interests. (Section 7-204A(a)(2)(i))

Attachment B and Attachment C

D. Copies of any filing, including securities filings, related to the reorganization made with any agency of the state of Illinois or the federal government. (Section 7-204A(a)(2)(ii))

Attachment D

E. The costs and fees attributable to the reorganization. (Section 7-204A(a)(3))

Refer to Testimony of Mr. Doyle (pages 14, 18 and Joint
Application pp. 24-25)

F. The method by which management, personnel, property, income, losses, costs and expenses will be allocated between the public utility and any affiliated interest. (Section 7-204(a)(4))

Refer to the Testimony of Mr. Doyle (pages 15-17)

G. A copy of any proposed agreement between the public utility and any person with which it will be an affiliated interest at the time of the application for reorganization. (Section 7-204(a)(5))

Refer to the Testimony of Mr. Doyle (pages 15-17), Attachment C

H. An identification of all public utility assets or information in existence, such as customer lists, which the applicant plans to transfer to or permit an affiliated interest to use, which identification shall include a description of the proposed terms and conditions under which the assets or information will be transferred or used. (Section 7-204A(a)(6))

Refer to the Testimony of Mr. Doyle (pages 15-17), Attachment C

I. A copy of a forecast showing the capital requirements of the public utility at the time of the proposed reorganization. (Section 7-204A(a)(7))

Refer to the Testimony of Mr. Bacalao (pages 5-6)

J. No public utility may permit the use of any public utility employee's services by any affiliated interest except by contract or arrangement. No public utility may sell, lease, transfer to or exchange with any affiliated interest any property except by contract or arrangement. (Section 7-204A(b))

Refer to the Testimony of Mr. Doyle (pages 15-17), Attachment C

Q. Is the Merger in the public interest?

A. Yes. The Merger of IES and IPC is a natural progression of the Alliant Energy merger. All of IES's utility operations are in Iowa; additionally IPC's utility operations are predominantly in Iowa. It is anticipated that Iowa will pass electric restructuring legislation in the very near future and the IPC/IES merger will facilitate the implementation of that

restructuring effort. Additionally, the Merger will allow parties to the Merger to achieve cost savings, net of merger-related costs, with no adverse consequences for either customers or shareholders. Moreover, the fact that IP&L will be able to reduce costs in an ever more competitive environment will allow it to maintain its loads, thus assuring that fixed costs will not have to be spread over a decreasing level of sales. A competitive energy supplier also will benefit customers and their communities by fostering economic development.

Q. You have indicated that the merger and reorganization are consistent with the requirements of Section 7-102 and 7-204 and 7-204A of the Act; please provide a brief overview of these regulatory standards.

A. The standard for approval of a merger under Section 7-102 is a finding by the Commission that the application "should reasonably be granted, and that the public will be inconvenienced thereby." The Commission has the discretion under Section 7-102 to arrive at this finding without the necessity of a hearing and should set the application for hearing only if it deems a hearing to be necessary. In addition, the Commission may attach such conditions to the order approving the merger as it "may deem proper and as the circumstances may require" and "impose such conditions as will protect the interest of minority and preferred stockholders."

Section 7-204 requires the Commission's approval of any reorganization. The term "reorganization" is defined as "any transaction which, regardless of the means by which it is accomplished, results in a change of a majority of the voting capital stock of an Illinois public utility; or the ownership of control of any entity which owns or controls a majority of the voting capital stock of a public utility." Section 7-204 further provides that the "Commission shall not approve any proposed reorganization if the Commission finds, after

notice and hearing, that the reorganization will adversely affect the utility's ability to perform its duties under this Act." Stated alternatively, the Commission should approve the transaction if there is no adverse effect on the utility's ability to perform its duties under the Act. In reviewing any proposed reorganization, the Commission is required by Section 7-204 to find that:

1. the proposed reorganization will not diminish the utility's ability to provide adequate, reliable, efficient, safe and least-cost public utility service;
2. the proposed reorganization will not result in the unjustified subsidization of non-utility activities by the utility or its customers;
3. costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission may identify those costs and facilities which are properly included by the utility for rate making purposes;
4. the proposed reorganization will not significantly impair the utility's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure;
5. the utility will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities;
6. the proposed reorganization is not likely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction; and
7. the proposed reorganization is not likely to result in any adverse rate impacts on retail customers.

Q. What are the findings required by Act Section 7-204, for approval of the reorganization and which witnesses will provide evidentiary support to enable the Commission to make the required findings of 7-204?

- A.**
1. The proposed reorganization will not diminish the utility's ability to provide adequate, reliable, efficient, safe and least-cost public service. (Section 7-204(a))

Refer to the Testimony of Mr. Doyle (pages 12-19)

- 274 2. The proposed reorganization will not result in the unjustified subsidization of non-
275 utility activities by the utility or its customers. (Section 7-204 (b))
276

277 Refer to the Testimony of Mr. Doyle (pages 15-17)
278

- 279 3. Costs and facilities are fairly and reasonably allocated between utility and non-utility
280 activities in such a manner that the Commission may identify those costs and
281 facilities which are properly included by the utility for rate making purposes.
282 (Section 7-204(c))
283

284 Refer to the Testimony of Mr. Doyle (pages 15-17)
285

- 286 4. The proposed reorganization will not significantly impair the utility's ability to raise
287 necessary capital on reasonable terms or to maintain a reasonable capital structure.
288 (Section 7-204(d))
289

290 Refer to the Testimony of Mr. Bacalao (pages 5-6)
291

- 292 5. The utility will remain subject to all applicable laws, regulations, rules, decisions
293 and policies governing the regulation of Illinois public utilities (Section 7-204(e))
294

295 Refer to the Testimony of Mr. Doyle (pages 19-23)
296

- 297 6. the proposed reorganization is not likely to have a significant adverse effect on
298 competition in those markets over which the Commission has jurisdiction; and
299

300 Refer to the Testimony of Mr. Doyle (page 18)
301

- 302 7. the proposed reorganization is not likely to result in any adverse rate impacts on
303 retail customers.
304

305 Refer to the Testimony of Mr. Doyle (pages 9, 14)
306

307 **Q. Will the merger and reorganization meet all of the criteria set forth in the Illinois**
308 **Public Utilities Act, 220 ILCS 5/101 et seq., in particular Section 5/7-102 and 5/7-204?**

309 **A.** Yes, as demonstrated by the Application and the Testimony, Exhibits and of Applicants in
310 this proceeding, the proposed reorganization meets the seven criteria set forth in Section 7-
311 204 for findings of fact to enable the Commission to conclude that the reorganization will
312 not adversely affect IP&L's ability to perform its duties under the Act. In fact, the

Testimony will demonstrate that the Illinois ratepayers of IPC will benefit from the proposed reorganization.

Q. Are Applicants able to show that the merger and reorganization are in the public interest?

A. Yes. As required by Section 7-102, Applicants have demonstrated by their testimony, Exhibits and Workpapers that this Application may reasonably be granted and that the public will be inconvenienced thereby.

Q. Do the Application, Testimony and Exhibits of the Applicants in this proceeding meet the criteria for approval of reorganization, as set forth in the Act?

A. Yes, Applicants' Joint Application, Testimony and Exhibits are in compliance with Act Section 7-102 and 7-204 and 7-204A.

Q. What additional approvals are being sought in this proceeding by applicants, in addition to approval of the merger and reorganization?

A. The Application seeks the approval, authorization, consent or waiver of the Commission, as the case may be, for other matters incident to the proposed merger and reorganization. These may include transfers of assets and equity, transactions with affiliated interests, assumption of liabilities, issuance and transfers of certificates of public convenience and necessity, location of offices and records and filing of tariffs.

V. DESCRIPTION OF THE PROPOSED TRANSACTION

Q. Please describe the proposed merger transaction.

A. The merger transaction is fully described in the Merger Agreement. At the effective time of the merger, IPC will be merged with and into IES with IES to be the surviving corporation. At the same time, IES will be renamed Interstate Power and Light Company ("IP&L").

IP&L will be wholly owned subsidiary of Alliant Energy, which is a registered public utility holding company under PUHCA. Each share of IPC's common stock will be cancelled and will cease to exist. As noted previously, Alliant Energy both before and after the IES/IPC merger will be a registered public utility holding company under PUHCA, and its operating utilities -- WPL and IP&L -- will be its principal subsidiaries. SBWGE will remain a subsidiary of WPL. In addition, Alliant Energy non-utility operations will remain under a separate subsidiary, Alliant Energy Resources and are unaffected by the merger of IPC and IES. The business of Alliant Energy will remain as a holding company for its utility subsidiaries and various non-utility subsidiaries.

The Board of Directors of Alliant Energy will be unchanged by the IES/IPC merger. At the present time the members of the Alliant Energy, IES and IPC Board of Directors are the same. As a result of the merger, the IES Board will become the IP&L Board and the IPC Board will cease to exist.

Q. Are there certain conditions that must be met before the merger can be completed?

A. Yes. The merger agreement identifies numerous conditions that must be met before the merger can be completed, including the approval of this Commission. Approvals must also be obtained from the utility regulatory commissions in the states of Iowa and Minnesota as well as FERC. In addition, filings must be made with the Securities and Exchange Commission ("SEC"), the Federal Communications Commission ("FCC") and the Nuclear Regulatory Commission ("NRC").

Q. When are the required approvals expected to be obtained?

A. Regulatory filings with the FERC and the three affected state public utility commissions have been, or will shortly be made. Filings with the SEC, FCC and the NRC are expected to

be made by early summer. We hope to obtain all regulatory approvals by the fourth quarter of 2000, and make the merger effective December 31, 2000.

VI. BENEFITS OF THE IPC/IES MERGER

Q. What financial benefits does Alliant Energy believe will inure as a result of the IPC and IES merger?

A. Alliant Energy believes that the merger offers the following financial benefits to each company and to its respective customers, employees and shareholders:

- *Maintenance of Competitive Rates* -- Alliant Energy will be more effective in meeting the challenges of the increasingly competitive environment in the utility industry. The Merger will create the opportunity for financial and operational benefits for customers in the form of more competitive rates over the long term and offers shareholders greater financial strength and financial flexibility.
- *Integration of Corporate and Administrative Functions* -- Alliant Energy will be able to consolidate additional administrative functions of IES and IPC reducing non-labor corporate and administrative expenses. In addition, some savings in areas such as regulatory costs, legal, audit and consulting fees are expected to be realized.

Q. Can you provide an estimate of the proposed savings that will result from the merger?

A. The creation of IP&L is estimated to generate, on a net present value basis, additional cost savings, net of legal and regulatory costs, of \$2.7 million over the next ten years.

VII. IMPACT OF THE MERGER ON SERVICE AREA AND KEY CONSTITUENCIES

Q. What impact will the proposed merger have on the service area of the two utility companies and their key constituencies?

A. The proposed merger will enable IP&L to maintain low rates and a high level of customer service, thus benefiting IES's and IPC's current customers. It will allow IP&L to improve the efficiency of products and services. The communities served will benefit from the positive economic impact that more competitive energy prices will provide.

Q. Turning to operational and customer service issues, will the proposed merger have any negative impact on service in the IPC and IES service areas?

A. No. Following the merger, IPC's former customers will continue to receive gas and electric retail service in Iowa, Minnesota and Illinois under their current rate structures. IES's former customers will continue to receive retail gas and electric service in Iowa under their current rate structures. Since the retail side of our business will be essentially unchanged due to the merger, such service will essentially be unaffected by the merger.

VIII. MERGER'S IMPACT ON AFFILIATE TRANSACTIONS

Q. What is the Illinois statutory authority governing affiliated interests?

A. I am advised by counsel that transactions involving affiliated interests necessary to effect the merger and reorganization which require Commission approval are governed pursuant to Sections 7-101(3), 7-102(f) and (g), and 7-204A(b).

Section 7-101(3), in relevant part, states:

No management, construction, engineering, supply financial or similar contract and no contract or arrangement for the purchase, sale, lease or exchange of any property or for the furnishing of any service, property or thing, hereafter made with any affiliated interest, . . . shall be effective unless it has first been filed with and consented to by the Commission.

In addition, Subsection (f) and (g) of Section 7-102 state:

Unless the consent and approval of the Commission is first obtained or unless such approval is waived by the Commission in accordance with the provisions of this Section:

- (f) No public utility may in any manner, directly or indirectly, guarantee the performance of any contract or other obligation of any other person, firm or corporation whatsoever,
- (g) No public utility may use, appropriate, or divert any of its money, property or other resources in or to any business or enterprise which is not, prior to such use, appropriation or diversion essentially and directly connected with or a proper

and necessary department or division of the business of such public utility...

And, Section 7-204A(b) states:

No public utility, may permit the use of any public utility employee's services by an affiliated interest except by contract or arrangement. No public utility may sell, lease, transfer to or exchange with any affiliated interest any property except by contract or arrangement. The contract or arrangement herein is subject to Commission review at the discretion of the Commission in the same manner as it may review any other public utility and its affiliated interest.

Applicant believes that by requesting the Commission to approve the Merger and to authorize the transactions contemplated thereby, it has placed before the Commission all transactions requiring Commission approval and not otherwise exempt from Commission approval pursuant to 83 Ill. Adm. Code §310.60 and that further requests for Commission approval are unnecessary. However, to the extent the Commission may deem any or all of such proposed transactions involving affiliated interests of either Applicant to require specific approval pursuant to Section 7-101(3), 7-102(f) and (g), and 7-204A(b) Applicant requests the Commission to issue an order approving such transactions.

Q. Will certain transactions of IP&L with affiliated interests be exempt from Commission approval pursuant to Section 7-101(4) and 83 Ill. Adm. Code §310.60?

A. Yes. Section 7-101(4) provides that the Commission may promulgate a rule to waive the filing and necessity for approval of contracts and arrangements with affiliated interests as described in Section 7-101(3). In accordance with this statutory authority, the Commission has issued 83 Ill. Adm. Code §310.60 exempting contracts which are made in the ordinary course of business for the employment of officers or employees, and contracts or arrangements with other affiliated interest made in the ordinary course of business for the

purchase of services, supplies, or other personal property at prices not exceeding the standard or prevailing market prices, or prices or rates fixed pursuant to law.

Q. How are Services' costs allocated?

A. These costs are allocated between the operating companies pursuant to a Service Company Agreement. That Agreement has been approved by the SEC and by this Commission in Docket No. 96-0122. Subsequent amendments have been approved in Docket Nos. 98-0011 and 99-0680. The IES and IPC merger does not affect the terms and conditions of this agreement and it will continue in effect. In all material respects, IP&L will assume IPC's and IES's allocations of costs under this agreement.

Q. Does Alliant Energy's regulation by the SEC as a registered holding company and this Commission's prior approval of the Service Company Agreement satisfy Illinois statutes and regulations regarding affiliate transactions?

A. Yes. As IPC has indicated in the past it is our belief that Alliant Energy's conformance with the requirements of the Public Utility Holding Company Act as a registered holding company satisfies Illinois regulatory requirements regarding affiliate activities. Exhibit 2 (DAD-1) is a copy of previous correspondence to the Commission expressing this view.

IX. IMPACT OF MERGER ON EFFECTIVE STATE REGULATION

Q. Will the Merger adversely affect the Commission's ability to regulate utility operations in Illinois?

A. No. IP&L will be a public utility subject to the Commission's jurisdiction. Alliant Energy and Services will be affiliated interests of IP&L and the Commission will have jurisdiction over transactions with those entities to the extent consistent with Section 7-101 of the Illinois Public Utilities Act. The Commission will continue to have jurisdiction over the

rates and terms and conditions of service provide to customers in the current IPC service territory in Illinois. The Commission will have the same access to the books and records necessary to regulate public utility service that it has now.

As I have indicated, while transactions among Alliant Energy's affiliates are governed by SEC rules applicable to registered holding companies and their affiliates, SEC rules require, generally, that services rendered among affiliates be rendered economically and efficiently, for the benefit of system companies at cost, fairly and equitably allocated among the system companies.

Q. Will the IPC/IES merger affect competition in any market subject to the Commission's jurisdiction?

A. No. All of IES's retail operations are in Iowa, it has no retail operations that are presently subject to this Commission's jurisdiction. Additionally all issues relating to the competitive effects of the combination of IES's and IPC's operations were scrutinized in the course of the Alliant Energy merger by a number of regulatory agencies.

X. ACCOUNTING FOR MERGER-RELATED COSTS

Q. Please summarize the transaction costs associated with the transaction.

A. The transaction costs to achieve savings associated with the merger are estimated to be approximately \$100,000. Transaction costs represent primarily legal fees.

Q. How are the companies proposing to treat these costs for regulatory accounting purposes?

A. Transaction costs will be expensed as incurred.

Q. Is this treatment consistent with GAAP?

A. Yes.

XI. MISCELLANEOUS COMMITMENTS AND REQUESTS

Q. Will IP&L maintain separate accounts for non-public utility business as required by Section 7-206.

A. Yes.

Q. Will IP&L maintain an Illinois office as required by Section 5-106 and 83 Ill. Adm. Code § 250.10?

A. Yes. Section 5-106 and 83 Ill. Adm. Code § 250.10 require each public utility subject to the Act to maintain at least one office in an Illinois city, village or incorporated town where property of the public utility is located. The public utility is also required to file the address of the office with the Commission. Upon consummation of the merger and thereafter, IP&L will continue to maintain one or more offices in Illinois.

Q. Is IP&L requesting pursuant to 83 Ill. Adm. Code § 250.20 and 250.40 the authority to maintain records outside of Illinois?

A. Yes. The provisions of 83 Ill. Adm. Code § 250.20 and 250.40 state that the requirements of 83 Ill. Adm. Code § 250.10 and, by inference, certain of the requirements of Section 5-106, may be waived by the Commission upon proper application and hearing. These requirements obligate a public utility to maintain in its Illinois office designated pursuant to Section 5-106 all books, accounts, papers, records and memoranda as are employed in the public utility's uniform classification of accounts and/or used in connection with its utility business conducted with the state of Illinois. IPC has, of course, complied with these provisions, and IP&L will naturally continue in all respects to comply with all applicable rules and regulations applicable to it as a public utility in Illinois.

As may be applicable, IP&L requests the Commission to authorize IP&L to maintain the books, accounts, papers, records and memoranda referred to in 83 Ill. Adm. Code § 250.10 and Section 5-106 at IP&L 's offices located in the state of Iowa. The originals of the books, accounts, papers, records and memoranda of IP&L will be maintained in Dubuque and/or Cedar Rapids, Iowa. In addition, billing and payment records pertaining to Illinois customers of IP&L will be available in either hard copy or electronic form in Dubuque and/or Cedar Rapids, Iowa. Further, the original source documents will be made available for Commission examination, at the pertinent location, upon request. IP&L believes the maintenance of the originals of its books, accounts, papers, records and memoranda as proposed is consistent with its obligation to provide its Illinois customers with adequate, reliable, efficient, safe and least-cost public utility service. Furthermore, the Commission, by granting this request to maintain certain documents outside the state of Illinois, will not waive its right under the second paragraph of Section 5-106 to require public utilities to reimburse the Commission for the reasonable costs and expenses associated with the audit or inspection of any books, accounts, papers, records and memoranda maintained outside the state of Illinois.

Q. Does IP&L, request pursuant to 83 Ill. Adm. Code § 410.30 a waiver of the provisions of 83 Ill. Adm. Code § 410.110 relating to location of records pertaining to standards of service for electric service?

A. Yes. Each public utility in Illinois is required by 83 Ill. Adm. Code § 410.110 to maintain records pertaining to standards of service for electric service within the state of Illinois. However, 83 Ill. Adm. Code § 410.30 permits the Commission to exempt a public utility from this requirement.

IP&L proposes to maintain such records in its office in Dubuque and/or Cedar Rapids, Iowa. IP&L believes the maintenance of such records as proposed is consistent with the obligation to provide customers with adequate, reliable, efficient, safe and least-cost public utility service. Furthermore, the Commission, by granting this request to maintain these records outside the state of Illinois, will not waive its right under the second paragraph of Section 5-106 to require public utilities to reimburse the Commission for the reasonable costs and expenses associated with the audit or inspection of the records maintained outside the state of Illinois.

Q. Does IP&L, request pursuant to 83 Ill. Adm. Code § 500.30 a waiver of the provisions of 83 Ill. Adm. Code § 500.110 relating to location of records pertaining to standards of service for gas service?

A. Yes. Each public utility in Illinois is required by 83 Ill. Adm. Code § 500.110 to maintain records pertaining to standards of service for gas service within the state of Illinois. However, 83 Ill. Adm. Code § 500.30 permits the Commission to exempt a public utility from this requirement.

IP&L proposes to maintain such records at its office in Dubuque and/or Cedar Rapids, Iowa. IP&L believes the maintenance of such records as proposed is consistent with the obligation to provide its customers with adequate, reliable, efficient, safe and least-cost public utility service. Furthermore, the Commission, by granting this request to maintain these records outside the state of Illinois, will not waive its right under the second paragraph of Section 5-106 to require public utilities to reimburse the Commission for the reasonable costs and expenses associated with the audit or inspection of the records maintained outside the state of Illinois.

Q. Are IPC and IP&L requesting authority in this proceeding for transfer of franchises, certificates of public convenience and necessity and all other rights, including standings in pending Commission proceedings, and tariffs, without refiling the same?

A. Yes. IPC has been an Illinois regulated utility subject to the jurisdiction of the Commission for many years. It requests that the Commission allow the transfer to IP&L, by operation of law, of all franchises, permits, certificates of convenience and necessity, without the necessity of any additional filings. This would also apply to tariffs. It makes little administrative sense for IP&L to refile all of IPC's tariffs in identical form. IPC requests that the Commission order such tariffs to be, and to continue to serve as tariffs of IP&L. Likewise, Applicants request that any exemptions applicable IPC to such as a small utility exemption under Least Cost Planning and reliability rules, apply to IP&L without any additional filings.

Q. Will IP&L file tariffs in accordance with Section 9-102?

A. IP&L believes that such tariff filings are unnecessary. Section 9-102 requires every public utility to file with the Commission schedules showing all rates, charges, classifications, rules and regulations relating to any product, commodity or service provided by public utility. IP&L will adopt for application to its Illinois customers the rates, charges, classifications, rules and regulations relating to electric and gas service provided by IPC (the IPC Tariffs) at the time of the merger. Rather than IP&L replicating the IPC Tariffs and identifying them as tariffs of IP&L, applicants request the Commission waive the refiling of the same, and consent to the instantaneous transfer of their identity as IP&L tariffs, at the moment the merger is effective. Because the IP&L tariffs for service in Illinois will contain rates, charges, classifications, rules and

591 regulations identical to those in effect for IPC immediately prior to the consummation of
592 the merger, it seems a perfunctory exercise to refile them with the Commission pursuant
593 to Sections 9-102, 9-103 and 9-201, as there is nothing distinguishing the tariffs by state
594 of incorporation. These tariffs will continue in effect until changed pursuant to the Act
595 and the rules promulgated thereunder.

596 **Q. Does this conclude your testimony?**

597 **A. Yes.**